BEFORE THE
ILLINOIS COMMERCE COMMISSION

PREPARED DIRECT TESTIMONY
OF
MARK A. MARTIN

ON BEHALF OF
ATMOS ENERGY CORPORATION

Docket No. 00-0723

March 2001

COMPANY EXHIBIT 1.0

I.C.C. DOCKET NO. 00-0723

TESTIMONY OF MARK A. MARTIN

ATMOS ENERGY CORPORATION

Q. Would you please state your name, responsibility, and business address?

A. Mark A. Martin, Senior Analyst – Rate Administration, Atmos Energy Corporation (Atmos, the Company), 381 Riverside Drive, Suite 440, Franklin, Tennessee 37064.

Q. Please briefly summarize your educational background and experience within the natural gas industry.

A. I have received a Bachelor of Science degree in Accounting from Eastern Illinois University. I have also completed additional studies in rate processing and fundamentals of regulated utilities sponsored by the University of Wisconsin-Madison. My employment with the Company began in September 1995. My present duties include the responsibility of preparing monthly Purchased Gas Adjustment (PGA) filings by the Illinois, Kentucky, Colorado, Missouri, and Georgia Commissions.

Q. Have you testified before this Commission?

A. Yes. I have also testified before the South Carolina and Georgia Commissions.

Q. Please state the purpose of your testimony in the proceeding.

A The purpose of my testimony is to present the evidence required by the Commission's Citation Order dated November 8, 2000. The evidence required consists of: 1) the reconciliation of revenues billed under the PGA clause with the actual cost of gas obtained during the 2000 reconciliation year and 2) the prudence of the gas supply purchases during the reconciliation year.

Q. Please provide a general background of Atmos' Illinois operations before presenting the required evidence.

A. Atmos provides natural gas service to six operating areas in Illinois: Virden, Vandalia, Harrisburg, Metropolis, Salem, and St. Elmo. The gas supply for these service areas is received through separate interstate pipelines: Panhandle Eastern Pipe Line Company, Natural Gas Pipeline Company of America, Texas Eastern Transmission Corporation, Trunkline Gas Company, and Mississippi River Transmission Corporation. There are six PGA reconciliations.

Q. What evidence are you presenting to show the reconciliation of revenues under the PGA clause with the actual cost of gas supplies obtained during the 2000 reconciliation year?

A. Page 1 of each of the Exhibits reflects the minimum filing requirements set forth in the Citation Order. Pages 2 and 3 each of the Exhibits consists of three sections: Gas costs recoverable through the PGA clause, titled "Gas Cost Recoverable through Gas Charge"; revenues billed under the PGA clause, titled "Gas Cost Recovered", and the net reconciliation balance. The "Gas Cost Recoverable through Gas Charge" consists of all invoiced gas cost (commodity cost and, where applicable, contract demand cost, storage demand cost, and transportation charges on spot market gas), plus the commodity cost of gas withdrawn from storage at the applicable, First-in, First-out (FIFO) inventory rate, plus the interest of any unamortized balance of Factor A on Schedule II in the Company's monthly PGA filings, less the commodity cost of gas injected into storage at the applicable (FIFO) inventory rate, less the cost of gas used by the Company at the system average cost of gas during the month of usage.

Exhibit I reflects the totals of all the Illinois service areas, with total recoverable gas costs of $14,265,834.26 and total gas cost recoveries of ($13,127,651.53), leaving a net amount due the Company of $1,138,182.73.

Exhibit II reflects the amounts of the Vandalia service area with total recoverable gas cost of $2,607,677.76 and total gas cost recoveries of ($2,189,759.90), leaving a net amount due the Company of $417,917.86.

Exhibit III reflects the amounts of the Harrisburg service area, with total recoverable gas cost of $4,330,949.60 and total gas cost recoveries of ($4,658,273.13), leaving a net amount due the Customers of ($327,323.53).

Exhibit IV reflects the amounts of the Metropolis service area, with total recoverable gas cost of $2,609,314.38 and total gas cost recoveries of ($2,108,207.51), leaving a net amount due the Company of $501,106.87.

Exhibit V reflects the amounts of the Virden service area, with total recoverable cost of $2,186,831.46 and total gas cost recoveries of ($1,796,981.83), leaving a net amount due the Company of $389,849.63.

Exhibit VI reflects the amounts of the St. Elmo service area, with total recoverable gas cost of $1,649,183.20 and total gas cost recoveries of ($1,613,155.28), leaving an amount due the Company of $36,027.92.

Exhibit VII reflects the amounts of the Salem service area, with total recoverable gas cost of $881,877.86 and total gas cost recoveries of ($761,273.88), leaving a net amount due the Company of $120,603.98.

Q. Is Atmos requesting any Factor O adjustments?

A. Yes. The Company requests to refund a total of ($622.62). This total is the summation of the following: Vandalia of ($657.07), Harrisburg of $20.91, Metropolis of $14.63, Virden of $0, St. Elmo of ($1.10), and Salem of $0.

Q. Please explain the method utilized to purchase gas for Atmos' Illinois service areas.

A. The Company has contracts with five interstate pipelines. Those interstate pipelines and the Atmos' operating areas served are: Panhandle Eastern Pipeline Company (Panhandle) serving Virden; Natural Gas Pipeline Company of America (Natural) serving Vandalia, Salem and St. Elmo; Texas Eastern Transmission Corporation (Texas Eastern) serving Harrisburg; Trunkline Gas Company (Trunkline) serving Metropolis, Salem and Virden; and Mississippi River Transmission Corporation (MRT) serving Salem. All of the contracts are transportation and/or storage contracts, and Atmos is responsible for the acquisition of the gas supply from whatever source it chooses. The Company moves gas through Natural and MRT under a demand/commodity transportation rate schedule, with a one-part transportation rate for "swing" volumes. The gas moved through Trunkline and Panhandle is under a one-part transportation rate schedule. The gas moved through Texas Eastern in under a demand/commodity transportation rate. All of the service areas have purchased storage services. The acquisition of the actual gas varies by service area. The gas for the service areas was provided by a five-month winter contract with suppliers, and purchased from the spot market during the summer months except for with MRT in which we have a twelve-month agreement. All of the contracts are based on market sensitive industry indexes. These contracts to purchase gas, including month-to-month spot market purchases, are determined by using a competitive bidding process. The Company also has an agency agreement with PG&E Energy Trading-Gas Corporation to manage our capacity on NGPL.

Q. How does the bidding process work?

A. The Company solicits bids from producers and brokers. The request for bids contain information such as quantity of gas, the serving pipeline, and length of contract. After bids are received, the Company evaluates those bids by taking into consideration the producer/broker's reputation, reliability of supply, and price. The Company must have assurance of the bidder's reputation and reliability of supply before awarding a contract. If several bidders meet this criteria, the bidder with the lowest price is chosen.

Q. Is it your opinion that the Company is engaging in prudent gas purchasing decisions?

A. Yes.

Q. Does this conclude your testimony at this time?

A. Yes.